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31 July 1985

TO : Senate Committee on Governmental Affairs
(Attention: Peggy Crenshaw)

FROM : Dennis Snook, Leader
Civil Service Retirement Team

SUBJECT : Estimates of Costs of Various Provisions that Would Alter
Provisions of the Stevens-Roth Bill

As you requested, we have prepared cost estimates of the alternative provisions you specified to those contained in the Stevens-Roth bill (S. 1527, as introduced July 30, 1985), a bill to establish a retirement system for Federal workers covered by social security.

These estimates were made by Edwin Hustead and Michael Sullivan of Hay-Huggins Associates, Inc., under terms of their contract with the Congressional Research Service (CRS). The estimates are based upon the projections done by CRS of the Stevens-Roth bill, which were accomplished by use of the CRS cost model. Some caution should be exercised when evaluating policy choices based upon these estimates: The interactive effects of one provision upon another will not necessarily show up when provisions are priced separately, and the CRS model, if instructed by a program incorporating these provisions, might yield results slightly different. However, these differences are likely to be small, and for purposes of considering a range of alternative provisions, these estimates will provide a reasonably accurate, interim basis of cost analysis.

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The costs are expressed as normal costs, which means that they represent the percent of payroll necessary to fund these changes over the span projected for the Stevens-Roth bill. The Congressional Research Service projects the normal cost of the Stevens-Roth bill to the Federal government as employer, to be 20.8 percent of pay according to our understanding as of July 30, 1985. Thus, these alternative costs represent additional costs to that baseline figure, if each of these alternatives is considered as an individual alternative incorporated into S. 1527. If, subsequent to July 30, 1985, our understanding of S. 1527 is modified or its provisions changed, the baseline cost of 20.8 percent of pay would be modified accordingly.

We would be happy to answer any questions you might have on these or other provisions, the basis for estimating their costs, or other matters pertaining to the design of a new system.